



# Committee On Finance

Max Baucus, Ranking Member

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## NEWS RELEASE

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Contact: Laura Hayes  
202-224-4515

## NEGOTIATION OF A U.S.-CENTRAL AMERICAN FREE TRADE AGREEMENT FLOOR STATEMENT OF SENATOR MAX BAUCUS September 17, 2003

(WASHINGTON, D.C.) U.S. Senator Max Baucus issued the following statement regarding the United States – Central America Free Trade Agreement or otherwise known as “CAFTA” during today’s Senate debate. The following is the speech as prepared for delivery:

Mr. President, I rise today to address the ongoing negotiations for a United States-Central America Free Trade Agreement – also known as the “CAFTA.” These negotiations present a couple of unique challenges.

First, most of the CAFTA countries are less developed, both economically and politically, than Mexico, Chile, or any of our other FTA partners. This presents challenges to the abilities of the Central American countries – both to negotiate a comprehensive set of commitments and to implement them effectively.

Second, these negotiations are on an accelerated schedule. They started in January 2003 and are set to conclude by the end of this year. The limited trade negotiating capacities of the CAFTA countries makes this an ambitious goal.

Third, several of the CAFTA countries played a less than constructive role at the WTO Cancun Ministerial. Their participation in the G-21 and the role of that group in precipitating the meeting’s collapse raises serious questions about their commitment to trade liberalization.

Mr. President, I support comprehensive free trade agreements that create sound market access rules and meaningful commercial opportunities for American farmers, workers, and businesses. And I support, in principle, the goal of reaching such an agreement with the five CAFTA countries. But we need to be realistic. A CAFTA agreement will be politically difficult here – much more so than the recently passed free trade agreements with Singapore and Chile. The issues it raises will be challenging on both sides of the aisle.

Next year’s vote on CAFTA will also set the stage for the many free trade agreements that are lining up to pass through Congress: Morocco, Australia, the Dominican Republic, South Africa, Bahrain. The list just keeps growing. To keep our trade agenda moving forward, we need a CAFTA that can pass with a large majority. If CAFTA sours the Congress on FTAs we are in for real trouble.

With only four months left in the negotiations, time is running short. But there is still time enough to push the CAFTA negotiations in the right direction. We can do that by addressing three principal concerns:

First, there needs to be a clear acknowledgment by our negotiators that CAFTA presents different challenges than other agreements. These countries have different political, legal, and social structures, and different economies, than any of our existing FTA partners. We cannot simply table the Singapore and Chile texts and say we are done. Not for market access or agriculture. Not for services and intellectual property. Not for environment or labor. One size does not fit all.

Second, we need to make sure that this agreement is comprehensive. Taken together, the CAFTA countries are about our 18th largest trading partner. They account for one percent of U.S. trade. So the

commercial benefits from this agreement will be modest at best. Absent significant commercial gains, the only way to “sell” the CAFTA to our farmers, workers, and businesses, is as a strong model for future agreements. We hear from Costa Rica that they don’t want a telecom chapter in the agreement. This is a bad precedent.

Similarly, we can’t allow ourselves to go too far down the path of “non-reciprocal” market access provisions for developing countries, just to get an agreement done. Given their reluctance to tackle hard issues in the FTA negotiations and the recent actions of some of the CAFTA countries in Cancun, I am frankly skeptical about where the CAFTA negotiations are headed. If we, and the CAFTA countries, are not prepared to conclude a comprehensive agreement, we need to ask ourselves if this agreement is worth negotiating at all.

Third, we need to do more to address legitimate concerns about environment and labor. Any number of objective sources have pointed out deficiencies in the environmental and labor laws of the various CAFTA countries. And there is widespread agreement – including among the CAFTA governments themselves – that these countries lack the capacity to effectively enforce their own environmental and labor laws. Yet that is just what the text tabled by USTR would require them to do. Even as the evidence mounts, our negotiators stick stubbornly to their determination not to go beyond the Chile and Singapore texts.

That won’t work. For CAFTA, we need a different approach. To date, our domestic politics on environment and labor have been polarized. The CAFTA countries see that and they use it as an excuse not to engage constructively.

I want to help break this deadlock. I want to get us all talking about constructive ways to address environment and labor. A workable approach to environment and labor in the CAFTA will do two things. It will help the CAFTA countries overcome their capacity limitations. And it will give assurance that meaningful improvements in environmental and labor standards and enforcement in those countries are occurring.

In the next weeks, I plan to release a detailed proposal for addressing environmental issues in the CAFTA. I will give just a short preview today. My proposal combines improvements to the Chile and Singapore environment chapter text with enhancements to the trade capacity building and environmental cooperation programs.

In the text, I propose changes that will help build an open and responsive system of environmental regulation in the CAFTA countries. For example, the citizen petition process used in the NAFTA side agreement has helped empower environmental NGOs in Mexico, with positive effects. I think that should be a model for the CAFTA.

On trade capacity building, I think we can make this process work better to achieve long-term environmental and sustainable development goals. On the U.S. side, that means creating a mechanism that assures funding for capacity building over the long term. For the CAFTA countries, it means completing the ongoing regional process of setting environmental priorities, and establishing a monitoring system to assure that capacity building is leading to progress toward those goals. I look forward to sharing my detailed proposal in the near future.

Mr. President, it does not serve America’s trade interests to negotiate imperfect trade agreements simply to put another notch on our belt. I hear people say all the time that America has fallen behind other countries in negotiating FTAs and needs to “catch up.” But this is not a numbers game. We must always remember that it is the quality, not the quantity, of our free trade agreements that matters.

I hope that I will be able to work with the Administration to pass a good agreement with Central America. It’s an important region, and this could be a significant agreement. But the Trade Act – and specifically the provisions on labor and environment – must be adhered to. Submitting the same labor and environment text for all agreements – regardless of the situation in that country – is not, in my view, consistent with the Trade Act. If we end up with an agreement that ignores Members’ concerns on labor and the environment, I will work hard against it. I hope it does not come to that. I hope that we can work together on an agreement that makes sense and moves the ball forward. And I stand ready to do that.

Thank you. I yield the floor.

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